

GAO Highlights

Highlights of [GAO-15-625T](#), a testimony before the Subcommittee on Housing and Insurance, Committee on Financial Services, House of Representatives

Why GAO Did This Study

RHS, an agency within USDA, administers a number of direct loan, loan guarantee, and grant programs that support affordable housing and community development for rural residents. According to USDA financial and budget data, RHS manages a portfolio of almost \$120 billion in housing loans and loan guarantees and administers more than \$1 billion in rental assistance payments each year. GAO issued three reports since March 2011 on RHS housing assistance programs (see [GAO-11-329](#), [GAO-12-554](#), and [GAO-12-624](#)) and has ongoing work in this area.

This testimony is based on those three reports and ongoing GAO work. It discusses (1) prior GAO findings on the extent to which the housing programs of RHS and HUD overlap and related implications for program collaboration and consolidation; (2) the status of GAO recommendations on the rental housing assistance program and farm labor housing loan and grant program; and (3) preliminary observations from the ongoing review of risk-management practices for the single-family loan guarantee program. To update the status of recommendations, GAO reviewed RHS policies, procedures, and reports. For its ongoing work, GAO reviewed federal requirements and leading practices for risk management and compared them with RHS policies, procedures, and practices. GAO also interviewed RHS officials.

GAO makes no new recommendations in this testimony, but may consider making additional recommendations once its ongoing work is complete.

[View GAO-15-625T](#). For more information, contact Mathew Scire at (202) 512-8678 or sciremj@gao.gov.

May 19, 2015

RURAL HOUSING SERVICE

Progress on GAO Recommendations and Preliminary Observations on Loan Guarantee Risk Management

What GAO Found

Overlap in housing assistance programs—particularly those of the Department of Agriculture's (USDA) Rural Housing Service (RHS) and the Department of Housing and Urban Development (HUD)—highlight opportunities for increased collaboration and consolidation. GAO's August 2012 report found overlap in the products offered and populations (income groups) and geographic areas served by RHS and HUD single-family mortgage guarantee programs. GAO also found selected multifamily housing programs served similar purposes. The report made three recommendations to RHS. RHS generally agreed with the recommendations and implemented one by formalizing collaborative efforts with other federal agencies on single-family housing programs. However, RHS and other federal housing agencies have not yet taken other recommended steps to build on interagency efforts—for example, by evaluating specific opportunities for consolidating similar housing programs, including those that would require statutory changes.

RHS generally agreed with and has addressed some of GAO's prior recommendations for the rental assistance and farm labor housing programs, but others require further attention. Specifically, RHS implemented three of the seven recommendations GAO made in May 2012 to enhance the agency's efforts to identify and reduce improper rental assistance payments. Additional steps are needed to implement the remaining recommendations, which address shortcomings in the way RHS estimates and reports on improper payments. RHS also addressed three of the seven recommendations GAO made in March 2011 on oversight of the farm labor housing program. Further actions are required to implement the other four, which address weaknesses in RHS controls for ensuring tenant eligibility, among other issues.

Ongoing GAO work indicates that aspects of RHS's risk management for the single-family mortgage guarantee program broadly align with federal requirements, while others are not fully consistent with requirements and leading practices. For example, RHS has policies and procedures for a number of risk-management functions addressed in Office of Management and Budget guidance (such as determining borrower creditworthiness and overseeing lenders). However, GAO's ongoing work indicates that, contrary to federal internal control standards, RHS does not have written policies and procedures for a committee responsible for evaluating credit quality issues and addressing them through policy changes. Also, certain benchmarks RHS uses to help assess the performance of its guaranteed portfolio have limitations that diminish their value for assessing risk and are not fully consistent with leading practices for successful performance measures. These shortcomings may limit the effectiveness of RHS's risk-management efforts.